Clubs and Charities Series
IR178

Inland Revenue

Giving shares and securities to charity

We produce a wide range of leaflets, booklets and Helpsheets, each designed to explain different aspects of your tax or National Insurance in plain English, and to assist with the completion of tax returns. Most of them are free, and most are also available in Welsh.

Some you might find useful are

IR64	Giving to charity by business
IR65	Giving to charity by individuals
Helpsheet IR295	Relief for gifts and similar transactions
CGT1	Capital gains tax. An introduction

We have a full range of services for people with disabilities, including leaflets in Braille, audio and large print. For details, please ask your local Inland Revenue office or Enquiry Centre.

Our leaflet IR120 'You and the Inland Revenue' tells you more about the standard of service you can expect from us. It also tells you the steps you can take if you want to make any comments on the service you receive, or complain about the way we have handled your tax affairs.

Our IR List 'Catalogue of leaflets and booklets' gives further information about our publications, most of which you can get from any Inland Revenue Enquiry Centre, Tax Office or National Insurance Contributions Office. Addresses are in your local telephone book under 'Inland Revenue'. Most offices are open to the public from 8.30am to 4.30pm, Monday to Friday, and some are also open outside these hours. Social Security Offices, your library or Citizens' Advice Bureau may also have copies of our leaflets.

You can also get most of our leaflets

- by calling our Orderline on **0845 9000 404** between 8.00am and 10.00pm, seven days a week (except Christmas Day)

- by fax on **0845 9000 604**

- by e-mail on **saorderline.ir@gtnet.gov.uk**

- by writing to
  PO Box 37
  St Austell
  Cornwall
  PL25 5YN.

Many leaflets are also available on the Internet at **www.inlandrevenue.gov.uk**

When our offices are closed, you can get general advice on Self Assessment by calling our Helpline, in the evenings or at weekends, on **0845 9000 444**.

Helpline and Orderline calls are charged at local rates.

This leaflet explains how you can go about making gifts of shares or securities to charity, and the tax reliefs available when you do so.

Since 6 April 2000, individuals can get income tax relief on gifts to charity of certain shares, securities and other investments.

You can get this income tax relief, in addition to the capital gains tax relief on gifts of assets to charity. (See our Self Assessment Helpsheet IR295 'Relief for gifts and similar transactions'.)

Since 1 April 2000, companies can get corporation tax relief for gifts to charity of the same types of investments. Companies can get this relief in addition to relief from corporation tax on capital gains on gifts to charity of shares, securities and other assets.

When does this tax relief apply?

You can claim it if you give, or sell at less than market value, any qualifying investments to a UK charity.

What is a 'qualifying investment?'

The following investments qualify for the tax relief.

- Shares and securities listed or dealt in on the UK Stock Exchange, including the Alternative Investment Market
- Shares and securities listed or dealt in on any overseas recognised stock exchange

- Units in a UK authorised unit trust (AUT)

- Shares in a UK open-ended investment company (OEIC)

- Holdings in certain foreign collective investment schemes. (Broadly, these are schemes established outside the UK that are equivalent to unit trusts and OEICs.)

You will find a list of recognised stock exchanges in Appendix 1.

If you are not sure whether an investment will qualify, you can contact us at the following addresses

For England, Wales and Northern Ireland

Inland Revenue (Charities)
St John's House
Merton Road
Bootle
Merseyside
L69 9BB

Tel: **0151 472 6043/6046** (Gifts of shares/securities)
Fax: **0151 472 6268/6060**

For Scotland

Inland Revenue (Charities)
Meldrum House
15 Drumsheugh Gardens
Edinburgh
EH3 7UL

Tel: **0131 777 4040** (All enquiries)
Fax: **0131 777 4045**

How do I make a gift of shares?

You should first contact the charity you have selected to ensure that it can accept the proposed gift. If it agrees, you then need to sign a transfer form to take the shares out of your name and put them into the name of the charity. You can get a transfer form by contacting the registrars of the company. Their details will be on your share certificate and on your dividend vouchers. The registrars will be able to answer any questions about filling in the form.

Your chosen charity may also be able to help you with the transfer procedure.

How do I calculate the relief?

If you are making the gift as an individual, you should deduct the relief when you calculate your income for the tax year in which you make the gift of shares or securities. A tax year runs from 6 April in one year to 5 April in the next.

Companies should deduct the relief as a charge on income for the accounting period in which they make the gift.

The amount you can deduct is

- the market value of the investments at the date of the gift to charity, **plus**

- any incidental costs incurred in transferring the investments (such as broker's fees or stamp duty), **less**

- any disposal proceeds or other money, or the value of any other benefits you, or a person connected with you (such as a relative), receive in consequence of you giving or selling the investments to charity.

Some examples are given below.

Example 1

Angela owns 5,000 shares in ABC plc, a company quoted on the London Stock Exchange. She decides to give these to her favourite charity. On the day she gives them to the charity the shares are valued at £10.00 each.

Angela is charged a broker's fee of £50 for handling the transfer. As a token of its gratitude, the charity gives her tickets to an event, worth £500.

The deduction that Angela can make is

the value of the shares	£50,000
plus the broker's fee	£50
	£50,050
less the value of the benefit received	£500
	£49,550

Example 2

John owns 1,000 shares in XYZ plc, a company quoted on the London Stock Exchange. The shares are valued at £4.50 each. He would like to give these shares to a charity, but needs to realise some money from them. So, he agrees to sell the shares to the charity for £2.00 each. The charity is grateful and gives him a book, worth £25, in recognition of his gift.

The deduction that John can make is

the value of the shares	£4,500
less the amount the charity pays to him	£2,000
	£2,500
less the value of the benefit received	£25
	£2,475

How do I claim the relief?

You can claim relief by

- completing the appropriate section of your Self Assessment return, or
- requesting that your PAYE code is amended for the current tax year, or
- requesting that your Self Assessment Payments on Account are reduced.

If you are not sent a Self Assessment return at the end of the tax year, or if you want to claim relief before the end of the current tax year, you should write to your Tax Office, giving full details of the gift, in order to claim the relief.

Companies should include the amount of the relief they are claiming in the 'Charges Paid' box on their Corporation Tax Self Assessment return.

What evidence of the gift will I need?

You will need some evidence of the transfer of ownership of the investments, such as a dated copy of the transfer form or some other dated document irrevocably giving the investments to the charity. This is important because the shares will come out of your name on the company's register at a later date, by which time the value of the shares may have changed. You may also continue to receive communications, including dividends, from the company until the transfer has been registered.

What date should I take as the date of the gift for the purpose of establishing the market value of the investments?

The date on which the investments are transferred to the charity. In the case of shares and securities, this is likely to be the date that you sign and hand over the stock transfer document.

For all the types of qualifying investment you are advised to establish the market value at the time you make the gift. This will be much more straightforward than trying to establish it later.

How do I establish the market value of the investments?

'Market value' means the price that the investments might reasonably be expected to sell for in the open market.

There are different rules for establishing the market value of different kinds of investments. Some basic rules are explained in Appendix 2.

What if the charity asks me to sell the investments on its behalf?

If you contact the charity about making a gift of shares and the charity asks you to sell them on its behalf, you can do so. However, you will need satisfactory evidence (such as an exchange of letters) to show that you have made the gift of the investment to the charity and that the charity asked you to dispose of the investments on its behalf. Otherwise, you may be treated as having made a disposal on your own account and the cash you give to the charity may be treated as a Gift Aid donation. This may also incur a capital gains tax charge.

Once the company registrar has received the stock transfer form and ownership has been transferred, you can no longer dispose of the shares for the charity.

How much relief will I get from capital gains tax?

The amount of capital gains tax or corporation tax that you would have paid if you had sold the shares, rather than given them to a charity, will depend on a number of factors. Please see our leaflet CGT1 'Capital gains tax. An introduction' for further details.

Is it better to sell the investments and give the proceeds to charity using Gift Aid?

For companies, it will usually be better to give the shares to the charity. If no chargeable gain would arise on a sale then there is no difference between the two methods.

If you are an individual, it depends on your circumstances and whether you wish the charity or yourself to gain the greater benefit from the tax relief. The following examples will demonstrate the difference.

Example 3

Paula is a higher rate taxpayer and has shares worth £100,000. If she sells them, she would make a net gain of £25,000 after all reliefs and allowances, and be liable to capital gains tax.

Option A Paula sells the shares and gives the proceeds to charity under Gift Aid

Gross proceeds of sale of shares	£100,000
less capital gains charge (£25,000 @ 40%)	£10,000
Net proceeds after tax	**£90,000**

Under Gift Aid, the charity can recover from us the amount of the gift multiplied by

$$\frac{\text{the basic rate of income tax (22\%)}}{\text{100 minus the basic rate (ie 78)}}$$

So, if Paula gives the £90,000 to a charity under Gift Aid, the charity can reclaim

£90,000 x $\frac{22}{78}$ = **£25,384**

When this is added to the gift, the charity receives in total

£90,000 + £25,384 = **£115,384**

Paula claims tax relief at the difference between the basic rate (22%) and higher rate (40%) on

£115,384 (18% x £115,384) = **£20,769**

So, the gift has cost her

£100,000 - £20,769 = **£79,231**

Option B Paula gives the shares to charity

The charity receives shares to sell or retain as investment	£100,000
Paula gets tax relief on £100,000 at the higher rate of tax (40%)	£40,000
So, the gift has cost Paula £100,000 - £40,000 =	**£60,000**

Example 4

Norman is a basic rate taxpayer and has shares worth £780, which came free as part of a demutualisation. He has not made any other capital gain in the year.

Option A Norman sells the shares and gives the proceeds to the charity under Gift Aid

Gross proceeds of sale of shares	**£780.00**
Capital gains charge (within annual exempt amount)	nil
Net proceeds	**£780.00**

If Norman gives the £780 to a charity under Gift Aid, the charity can reclaim basic rate income tax of

£780 x $\frac{22}{78}$ =	**£220.00**

When this is added to the gift, the charity receives in total

£780 + £220 =	**£1,000.00**

Norman has nothing further to claim and the gift has cost him	**£780.00**

Option B Norman gives the shares to charity

The charity receives shares to sell or retain as investment	**£780.00**
Norman gets tax relief on £780 @ 22%	£171.60
So, the gift has cost Norman £780.00 - £171.60 =	**£608.40**

Generally, giving the shares to charity will also be simpler, both in terms of the paperwork on the disposal and in completing your tax return, than selling the shares yourself and giving the cash to the charity.

What if I only have a small number of shares which a charity might not think worthwhile?

You can give your shares to Sharegift, an independent charity share donation scheme. The scheme accepts gifts of small numbers of shares, aggregates them and donates the sale proceeds to a number of registered charities. Sharegift can also facilitate larger share donations to specific charities.

For further information, please contact

Sharegift
24 Grosvenor Gardens
London
SW1W 0DH
Tel: 020 7337 0501
www.sharegift.org
(Registered charity number 1052686)

Further information

Inheritance tax

Outright gifts and bequests to charity are completely free of inheritance tax.

Capital gains tax

You are not liable to capital gains tax or corporation tax on capital gains when you make a gift of assets, such as land or stocks and shares, to charity. Our leaflet CGT1 'Capital gains tax. An introduction' gives you more details about capital gains tax.

Appendix 1

Recognised stock exchanges
The term 'recognised stock exchange' is defined in Section 841 Income & Corporation Taxes Act 1988 (ICTA). It includes the London Stock Exchange and any stock exchange outside the UK approved by the Board of Inland Revenue.

Recognition under Section 841 ICTA is for tax purposes only and does not imply recognition or approval for regulatory or other purposes.

The following list of recognised stock exchanges is correct at the time of writing. An up-to-date list and further information can be found on our website at **www.inlandrevenue.gov.uk** under 'Technical Information'.

The Athens Stock Exchange

The Australian Stock Exchange and any of its stock exchange subsidiaries

The Colombo Stock Exchange

The Helsinki Stock Exchange

The Johannesburg Stock Exchange

The Korea Stock Exchange

The Kuala Lumpur Stock Exchange

The Mexico Stock Exchange

The New Zealand Stock Exchange

The Rio De Janeiro Stock Exchange

The Sao Paulo Stock Exchange

The Singapore Stock Exchange

The Stockholm Stock Exchange

The Stock Exchange of Thailand

The Swiss Stock Exchange

Any stock exchange in the following countries which is a stock exchange within the meaning of the law of the particular country

Austria

Belgium (including EASDAQ)

Canada - any stock exchange prescribed for the purpose of the Canadian Income Tax Act

France

Germany

Hong Kong - any stock exchange recognised under Section 2A(1) of the Hong Kong Companies Ordinance

Italy

Ireland (Republic of)

Japan

Luxembourg

Netherlands

Norway

Portugal

Spain

USA - any stock exchange registered with the Securities and Exchange Commission of the United States as a national securities exchange.

USA - The NASDAQ Stock Market as maintained through the facilities of the National Association of Securities Dealers Inc and its subsidiaries.

Appendix 2

How to value different kinds of qualifying investments

Shares or securities quoted in the London Stock Exchange Daily Official List

You should use either

- the lower of the two quotations on the day in question plus one quarter of the difference between those two figures, or

- the mid-point between the highest and lowest prices at which bargains were done on the day, except for bargains at special prices

whichever is the lower.

Bargains at special prices are clearly shown in the Daily Official List. You should not include them in the comparison of highest and lowest prices. (Bargains at special prices are now very rare.)

Other shares or securities listed or dealt in on the Stock Exchange or another recognised stock exchange

There is no special formula for valuing these. Their market value is 'the price which those assets might reasonably be expected to fetch on a sale in the open market'.

Where shares are quoted on an overseas stock exchange, it will normally be acceptable to take the value as the price quoted on that exchange for the day of the gift, converted into sterling at the rate of exchange for that day.

Prices for these shares and securities are often published in the financial pages of newspapers.

Units in UK Authorised Unit Trusts (AUTs)

You should use the 'selling price' published by the unit trust manager for the day in question. The 'selling price' is usually given in the financial pages of newspapers under 'authorised investment funds'. If no price was published for the day in question, you should use the last price published before that day.

Shares in UK Open-Ended Investment Companies (OEICs)

You should use the published price for the day in question. You can usually find this in the financial pages of newspapers under 'authorised investment funds'. If no price was published for the day in question, you should use the last price published before that day.

Holdings in foreign collective investment schemes

You should use the published price for the day in question. You can usually find this in the financial pages of newspapers under 'offshore or overseas funds'. If no price was published for the day in question, you should use the last price published before that day, or contact the fund manager.

Our service commitment to you

The Inland Revenue and Customs & Excise are committed to serving your needs well by

acting fairly and impartially

We
- treat your affairs in strict confidence, within the law
- want you to pay or receive only the right amount due.

communicating effectively with you

We aim to provide
- clear and simple forms and guidance
- accurate and complete information in a helpful and appropriate way.

providing good quality service

We aim to
- handle your affairs promptly and accurately
- be accessible in ways that are convenient to you
- keep your costs to the minimum necessary
- take reasonable steps to meet special needs
- be courteous and professional.

taking responsibility for our service

- We publish annually our customer service aims and achievements
- If you wish to comment, or make a complaint, we want to hear from you so we can improve our service. We advise you how to do this.

We can provide better service if you help us by

- keeping accurate and up to date records
- letting us know if your personal/business circumstances change
- giving us correct and complete information when we ask for it
- paying on time what you should pay.

Further information on customer service is available at Inland Revenue and Customs and Excise local offices, set out in our Charters, complaints leaflets (IR120 and Notice 1000) and Codes of Practice.

These notes are for guidance only and reflect
the tax and NICs position at the time of writing.
They do not affect any right of appeal.

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